

CITY OF BURRTON

BURRTON, KANSAS

Special Financial Statements

December 31, 2011

City of Burrton, Kansas

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December 31, 2011

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Burrton
Burrton, Kansas

We have audited the accompanying financial statements of the City of Burrton, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements and, in our report dated September 6, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, the changes in financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company LLC

Certified Public Accountants

July 16, 2012

City of Burrtton, Kansas

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

Funds	Unencumbered		Unencumbered		Encumbrances	Cash Balance 12-31-11
	Cash Balance 12-31-10	Receipts	Expenditures	Cash Balance 12-31-11		
General	\$ 14,722	396,040	403,106	7,656	7,725	15,381
Special Revenue						
Employee benefit	741	55,100	50,817	5,024	-	5,024
Library	230	14,925	14,500	655	-	655
Street maintenance	172,354	129,780	105,104	197,030	-	197,030
Special highway	11,418	24,017	3,995	31,440	97	31,537
Recreation	408	1,362	52	1,718	-	1,718
Equipment reserve	62,669	52,362	-	115,031	-	115,031
Capital improvement	72,429	16,766	22,078	67,117	-	67,117
Debt Service						
Bond and interest	14,377	267	-	14,644	-	14,644
Capital Project						
Sewer/lagoon	3,832	-	3,832	-	-	-
Hardwood CDBG loan	10	-	-	10	-	10
Street project	-	172,000	32,838	139,162	-	139,162
Enterprise						
Gas	182,759	273,526	342,431	113,854	49,812	163,666
Water	61,810	118,822	138,351	42,281	3,104	45,385
Sewer	226,901	113,274	86,676	253,499	331	253,830
Solid waste	85,625	64,459	51,291	98,793	3,510	102,303
Total Primary Government	910,285	1,432,700	1,255,071	1,087,914	64,579	1,152,493
Component Unit - Burrtton Public Library	5,217	19,837	18,521	6,533	-	6,533
Total Reporting Entity	\$ 915,502	1,452,537	1,273,592	1,094,447	64,579	1,159,026

SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 459,500	17,929	477,429	403,106	(74,323)
Special Revenue					
Employee benefit	68,000	10,192	78,192	50,817	(27,375)
Library	14,700	-	14,700	14,500	(200)
Street maintenance	276,500	-	276,500	105,104	(171,396)
Special highway	25,800	-	25,800	3,995	(21,805)
Recreation	1,500	-	1,500	52	(1,448)
Debt service					
Bond and interest	40,000	-	40,000	-	(40,000)
Enterprise					
Gas	815,000	-	815,000	342,431	(472,569)
Water	139,000	-	139,000	138,351	(649)
Sewer	90,000	-	90,000	86,676	(3,324)
Solid waste	<u>67,000</u>	<u>-</u>	<u>67,000</u>	<u>51,291</u>	<u>(15,709)</u>
	<u>\$ 1,997,000</u>	<u>28,121</u>	<u>2,025,121</u>	1,196,323	<u>(828,798)</u>
Add expenditures for unbudgeted funds					
Special Revenue				22,078	
Capital Project				<u>36,670</u>	
Total expenditures, Primary Government				<u>\$ 1,255,071</u>	

City of Burrton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010			Over
	Actual	Actual	Budget	(Under)
RECEIPTS				
Ad valorem property tax	\$ 115,294	127,398	130,130	(2,732)
Delinquent tax	2,595	7,907	2,000	5,907
Vehicle tax	16,073	24,457	24,900	(443)
County sales tax	85,606	88,659	90,000	(1,341)
Harvey County special sales and use tax	11,121	11,392	12,000	(608)
Local alcohol tax	1,065	1,299	1,300	(1)
LHA payment in lieu of tax	3,931	3,885	3,600	285
Franchise fees	36,991	45,707	30,000	15,707
Pool receipts	5,211	7,012	7,000	12
Fines and fees	48,463	6,294	45,000	(38,706)
Interest	1,529	1,251	800	451
Municipal court	2,389	21,000	-	21,000
Other	9,497	6,850	20,000	(13,150)
Reimbursements	19,826	17,929	-	17,929
Transfer from gas fund	10,000	25,000	35,000	(10,000)
	369,591	396,040	401,730	(5,690)
EXPENDITURES, page 5	372,835	403,106		
Receipts over (under) expenditures	(3,244)	(7,066)		
UNENCUMBERED CASH, beginning	17,966	14,722		
UNENCUMBERED CASH, ending	\$ 14,722	7,656		

City of Burrton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
General				
Personal services	\$ 100,923	94,496	85,000	9,496
Contractual services	41,556	49,561	45,000	4,561
Commodities	54,908	58,801	50,000	8,801
Capital outlay	-	-	36,000	(36,000)
	<u>197,387</u>	<u>202,858</u>	<u>216,000</u>	<u>(13,142)</u>
Parks				
Contractual services	7,562	10,260	15,000	(4,740)
Commodities	5,645	4,726	9,000	(4,274)
	<u>13,207</u>	<u>14,986</u>	<u>24,000</u>	<u>(9,014)</u>
Law enforcement				
Personal services	70,242	76,869	85,000	(8,131)
Commodities	36,540	53,886	80,000	(26,114)
Capital outlay	-	-	15,000	(15,000)
	<u>106,782</u>	<u>130,755</u>	<u>180,000</u>	<u>(49,245)</u>
Legal	22,192	20,479	17,000	3,479
Street lighting	19,586	28,031	5,000	23,031
Community activities	6,000	1,043	5,500	(4,457)
Residential incentives	2,000	-	10,000	(10,000)
Library	-	-	500	(500)
Harvey County EDC	5,681	4,954	1,500	3,454
	<u>55,459</u>	<u>54,507</u>	<u>39,500</u>	<u>15,007</u>
	372,835	403,106	459,500	(56,394)
Adjustment for qualifying budget credits	-	-	17,929	(17,929)
Total expenditures	<u>\$ 372,835</u>	<u>403,106</u>	<u>477,429</u>	<u>(74,323)</u>

City of Burrton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
EMPLOYEE BENEFIT FUND				
RECEIPTS				
Ad valorem property tax	\$ 33,435	35,075	36,065	(990)
Delinquent tax	1,229	2,751	1,300	1,451
Vehicle tax	4,537	7,082	7,221	(139)
Employee paid insurance	8,555	10,192	8,400	1,792
Other	1,905	-	-	-
	<u>49,661</u>	<u>55,100</u>	<u>52,986</u>	<u>2,114</u>
EXPENDITURES				
FICA and Medicare	19,117	21,766	25,000	(3,234)
KPERS	18,071	18,373	15,000	3,373
Health insurance	26,515	10,678	28,000	(17,322)
	63,703	50,817	68,000	(17,183)
Adjustment for qualifying budget credits	-	-	10,192	(10,192)
	<u>63,703</u>	<u>50,817</u>	<u>78,192</u>	<u>(27,375)</u>
Receipts over (under) expenditures	(14,042)	4,283		
UNENCUMBERED CASH, beginning	14,783	741		
UNENCUMBERED CASH, ending	<u>\$ 741</u>	<u>5,024</u>		
LIBRARY FUND				
RECEIPTS				
Ad valorem property tax	\$ 9,879	11,932	12,266	(334)
Delinquent tax	390	872	300	572
Vehicle tax	2,167	2,121	2,134	(13)
	<u>12,436</u>	<u>14,925</u>	<u>14,700</u>	<u>225</u>
EXPENDITURES				
Appropriations to Library Board	12,603	14,500	14,500	-
Other	-	-	200	(200)
	<u>12,603</u>	<u>14,500</u>	<u>14,700</u>	<u>(200)</u>
Receipts over (under) expenditures	(167)	425		
UNENCUMBERED CASH, beginning	397	230		
UNENCUMBERED CASH, ending	<u>\$ 230</u>	<u>655</u>		

City of Burrton, Kansas
Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
<u>STREET MAINTENANCE FUND</u>				
RECEIPTS				
Ad valorem tax	\$ 23,896	28,905	29,721	(816)
Delinquent tax	2,831	4,913	2,000	2,913
Vehicle tax	19,978	5,614	5,161	453
Other	-	743	-	743
County sales tax	34,753	34,605	36,000	(1,395)
Transfer from gas fund	50,000	50,000	125,000	(75,000)
Transfer from water fund	20,000	5,000	5,000	-
	<u>151,458</u>	<u>129,780</u>	<u>202,882</u>	<u>(73,102)</u>
EXPENDITURES				
Personal services	8,007	8,998	8,500	498
Contractual services	95,281	70,983	255,000	(184,017)
Commodities	1,017	25,123	13,000	12,123
	<u>104,305</u>	<u>105,104</u>	<u>276,500</u>	<u>(171,396)</u>
Receipts over (under) expenditures	47,153	24,676		
UNENCUMBERED CASH, beginning	<u>125,201</u>	<u>172,354</u>		
UNENCUMBERED CASH, ending	<u>\$ 172,354</u>	<u>197,030</u>		
<u>SPECIAL HIGHWAY FUND</u>				
RECEIPTS				
State gasoline tax	\$ 24,241	23,617	22,000	1,617
Reimbursements and other	400	400	20	380
	<u>24,641</u>	<u>24,017</u>	<u>22,020</u>	<u>1,997</u>
EXPENDITURES				
Personal services	-	-	300	(300)
Contractual services	1,999	2,313	1,500	813
Commodities	17,829	1,682	24,000	(22,318)
	<u>19,828</u>	<u>3,995</u>	<u>25,800</u>	<u>(21,805)</u>
Receipts over (under) expenditures	4,813	20,022		
UNENCUMBERED CASH, beginning	<u>6,605</u>	<u>11,418</u>		
UNENCUMBERED CASH, ending	<u>\$ 11,418</u>	<u>31,440</u>		

City of Burrton, Kansas
Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010 Actual	Actual	Budget	Over (Under)
<u>AMBULANCE FUND</u>				
RECEIPTS				
County appropriation	\$ -	-	-	-
Ambulance fees	-	-	-	-
Interest	11	-	-	-
Gifts and other	-	-	-	-
	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Personal services	-	-	-	-
Commodities	-	-	-	-
Contractual services	216	-	-	-
Transfer to Fire District #5	64,759	-	-	-
Capital outlay	-	-	-	-
	<u>64,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	(64,964)	-	-	-
UNENCUMBERED CASH, beginning	<u>64,964</u>	<u>-</u>		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>-</u>		
 <u>RECREATION FUND</u>				
RECEIPTS				
Alcohol tax	\$ 1,065	1,299	1,000	299
Other	60	-	-	-
Delinquent tax	39	63	-	63
	<u>1,164</u>	<u>1,362</u>	<u>1,000</u>	<u>362</u>
EXPENDITURES				
Commodities	<u>2,258</u>	<u>52</u>	<u>1,500</u>	<u>(1,448)</u>
Receipts over (under) expenditures	(1,094)	1,310		
UNENCUMBERED CASH, beginning	<u>1,502</u>	<u>408</u>		
UNENCUMBERED CASH, ending	<u>\$ 408</u>	<u>1,718</u>		

City of Burrton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
<u>EQUIPMENT RESERVE FUND</u>				
RECEIPTS				
Interest	\$ 115	96		
Reimbursements	-	500		
Sales tax	11,817	11,766		
Transfer from gas fund	40,000	40,000		
	<u>51,932</u>	<u>52,362</u>		
EXPENDITURES				
Capital outlay	<u>82,999</u>	<u>-</u>		NOT APPLICABLE
Receipts over (under) expenditures	(31,067)	52,362		
UNENCUMBERED CASH, beginning	93,736	62,669		
UNENCUMBERED CASH, ending	<u>\$ 62,669</u>	<u>115,031</u>		
 <u>CAPITAL IMPROVEMENT FUND</u>				
RECEIPTS				
County sales tax	\$ 11,816	11,766		
Other	1,889	-		
Transfer from gas fund	5,000	5,000		
	<u>18,705</u>	<u>16,766</u>		
EXPENDITURES				
Capital outlay	<u>-</u>	<u>22,078</u>		NOT APPLICABLE
Receipts over (under) expenditures	18,705	(5,312)		
UNENCUMBERED CASH, beginning	53,724	72,429		
UNENCUMBERED CASH, ending	<u>\$ 72,429</u>	<u>67,117</u>		

City of Burrton, Kansas

Debt Service Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
<u>BOND AND INTEREST FUND</u>				
RECEIPTS				
Delinquent tax	\$ 185	267	50	217
Transfer from sewer fund	-	-	30,000	(30,000)
	<u>185</u>	<u>267</u>	<u>30,050</u>	<u>(29,783)</u>
EXPENDITURES				
Principal	-	-	10,000	(10,000)
Interest	-	-	30,000	(30,000)
	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>
Receipts over (under) expenditures	185	267		
UNENCUMBERED CASH, beginning	<u>14,192</u>	<u>14,377</u>		
UNENCUMBERED CASH, ending	\$ <u>14,377</u>	<u>14,644</u>		

City of Burrton, Kansas

Capital Project Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET*

Year ended December 31, 2011

	Sewer/Lagoon	Hardwood LLC CDBG Loan	Street Project	Total
RECEIPTS				
Temporary note proceeds	\$ -	-	172,000	172,000
EXPENDITURES				
Contractual services	-	-	26,685	26,685
Cost of issuance	-	-	6,153	6,153
Other	3,832	-	-	3,832
	<u>3,832</u>	<u>-</u>	<u>32,838</u>	<u>36,670</u>
Receipts over (under) expenditures	(3,832)	-	139,162	135,330
UNENCUMBERED CASH, beginning	3,832	10	-	3,842
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>10</u>	<u>139,162</u>	<u>139,172</u>

*Annual adopted budget is not applicable for capital projects.

City of Burrton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>GAS FUND</u>				
RECEIPTS				
Sales	\$ 316,109	265,165	650,000	(384,835)
Sales tax	18,834	8,361	28,000	(19,639)
	<u>334,943</u>	<u>273,526</u>	<u>678,000</u>	<u>(404,474)</u>
EXPENDITURES				
Personal services	29,248	34,044	25,000	9,044
Contractual services	12,389	8,782	50,000	(41,218)
Commodities	32,886	30,431	25,000	5,431
Sales tax	6,654	6,873	15,000	(8,127)
Gas purchased	179,957	142,301	500,000	(357,699)
Transfer to street maintenance fund	50,000	50,000	125,000	(75,000)
Transfer to general fund	10,000	25,000	35,000	(10,000)
Transfer to capital improvement fund	5,000	5,000	-	5,000
Transfer to equipment reserve fund	40,000	40,000	40,000	-
	<u>366,134</u>	<u>342,431</u>	<u>815,000</u>	<u>(472,569)</u>
Receipts over (under) expenditures	(31,191)	(68,905)		
UNENCUMBERED CASH, beginning	<u>213,950</u>	<u>182,759</u>		
UNENCUMBERED CASH, ending	<u>\$ 182,759</u>	<u>113,854</u>		

City of Burrton, Kansas

Enterprise Funds**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<u>WATER FUND</u>				
RECEIPTS				
Sales	\$ 130,968	118,822	135,000	(16,178)
Other	-	-	1,000	(1,000)
	<u>130,968</u>	<u>118,822</u>	<u>136,000</u>	<u>(17,178)</u>
EXPENDITURES				
Personal services	43,372	62,229	70,000	(7,771)
Contractual services	18,312	37,493	24,000	13,493
Commodities	23,971	33,629	30,000	3,629
Transfer to capital improvement fund	-	-	5,000	(5,000)
Transfer to equipment reserve fund	-	-	5,000	(5,000)
Transfer to street maintenance fund	20,000	5,000	5,000	-
	<u>105,655</u>	<u>138,351</u>	<u>139,000</u>	<u>(649)</u>
Receipts over (under) expenditures	25,313	(19,529)		
UNENCUMBERED CASH, beginning	<u>36,497</u>	<u>61,810</u>		
UNENCUMBERED CASH, ending	\$ 61,810	42,281		

City of Burrton, Kansas

Enterprise Funds**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
SEWER FUND				
RECEIPTS				
Fees	\$ 115,105	113,274	115,000	(1,726)
EXPENDITURES				
KDHE loan payment	16,130	32,261	-	32,261
Personal services	10,670	12,816	25,000	(12,184)
Contractual services	3,627	7,995	20,000	(12,005)
Commodities	12,292	33,604	15,000	18,604
Transfer to bond and interest fund	-	-	30,000	(30,000)
	42,719	86,676	90,000	(3,324)
Receipts over (under) expenditures	72,386	26,598		
UNENCUMBERED CASH, beginning	154,515	226,901		
UNENCUMBERED CASH, ending	\$ 226,901	253,499		
SOLID WASTE FUND				
RECEIPTS				
Fees	\$ 66,907	64,459	70,000	(5,541)
EXPENDITURES				
Personal services	247	516	5,000	(4,484)
Contractual services	53,613	50,775	62,000	(11,225)
	53,860	51,291	67,000	(15,709)
Receipts over (under) expenditures	13,047	13,168		
UNENCUMBERED CASH, beginning	72,578	85,625		
UNENCUMBERED CASH, ending	\$ 85,625	98,793		

City of Burrton, Kansas
Component Unit
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>LIBRARY BOARD</u>		
RECEIPTS		
City of Burrton - Burrton Public Library	\$ 14,500	12,603
SCKLS	4,715	6,645
State of Kansas	447	503
Memorials	-	720
Donations and other	175	55
	<u>19,837</u>	<u>20,526</u>
EXPENDITURES		
Personal services	12,482	14,139
Consulting services	1,548	876
Books, periodicals and materials	2,426	2,430
Operating expenses and other	2,065	4,846
	<u>18,521</u>	<u>22,291</u>
Receipts over (under) expenditures	1,316	(1,765)
UNENCUMBERED CASH, beginning	<u>5,217</u>	<u>6,982</u>
UNENCUMBERED CASH, ending	<u>\$ 6,533</u>	<u>5,217</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Burrton is a municipal corporation governed by an elected five-member council. These financial statements present the City of Burrton (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Burrton Public Library

The City of Burrton Library Board operates the City's public library. The City provides funding for the library through special revenue and general fund appropriations.

Related Organization

The Burrton Housing Authority is a related organization that is not included in the financial reporting entity. The Authority was created to administer public housing programs authorized by the United States Housing Act of 1937, as amended. Revenues consist of housing assistance payments from the U.S. Department of Housing and Urban Development and rent received from eligible low income tenants.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles (GAAP), encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with GAAP. Capital assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as capital leases and compensated absences are not presented in the financial statements.

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2011:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities other than those financed by Enterprise Funds.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for Capital Project Funds and the following special revenue funds:

Equipment Reserve Fund
Capital Improvement Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. DEPOSITS AND INVESTMENTS (Continued)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2011, the City's investments included only bank savings accounts and certificates of deposit with a fair value of \$171,438, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the City's deposits, including component units, was \$1,159,026. The bank balance totaled \$1,184,848. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$399,043 was covered by FDIC insurance and the remaining \$785,805 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2011:

	Primary Government	Component Unit	Total
Amount on deposit with financial institutions			
Checking and money market accounts	\$ 1,134,493	6,533	1,141,026
Time Deposits	18,000	-	18,000
	<u>\$ 1,152,493</u>	<u>6,533</u>	<u>1,159,026</u>

5. COMPLIANCE WITH KANSAS STATUTES

The City's deposits were not adequately secured as required by K.S.A. 9-1402 and 9-1405 for approximately 288 days during the year ended December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

6. CAPITAL IMPROVEMENT PROJECTS

During the year 2011, the City began a street improvement project which will be completed in 2012. It is to be financed with a CDBG grant and a general obligation bond issue. At December 31, 2011, capital project authorizations compared with expenditures from inception are as follows:

	Project <u>Authorization</u>	Expenditures <u>to Date</u>
Street Project	\$ 1,383,800	32,838
Sewer Lagoon Project	899,260	489,582
	<u>\$ 2,283,060</u>	<u>522,420</u>

7. LONG-TERM DEBT

The balance of funds borrowed at December 31, 2011 was \$585,238.

Changes in the long-term liabilities for the City for the year ended December 31, 2011 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 12-31-10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12-31-11</u>	<u>Interest Paid</u>
Temporary notes - Street Project	1.10%	11/17/11	\$ 172,000	11/13/13	\$ -	172,000	-	172,000	-
Sewer Improvement - KDHE Loan	2.63%	02/11/10	445,688	09/01/30	434,222	-	20,984	413,238	11,277
					<u>\$ 434,222</u>	<u>172,000</u>	<u>20,984</u>	<u>585,238</u>	<u>11,277</u>

Scheduled payments for long-term debt and interest through maturity are as follows:

	Year ending December 31								
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2030	Total
Principal									
KDHE loan	\$ 17,601	18,066	18,545	19,036	19,540	105,737	120,494	94,219	413,238
Temporary notes	-	172,000	-	-	-	-	-	-	172,000
Total principal	<u>17,601</u>	<u>190,066</u>	<u>18,545</u>	<u>19,036</u>	<u>19,540</u>	<u>105,737</u>	<u>120,494</u>	<u>94,219</u>	<u>585,238</u>
Interest									
KDHE loan	10,753	10,287	9,809	9,318	8,814	36,032	21,275	5,021	111,309
Temporary notes	1,892	1,892	-	-	-	-	-	-	3,784
Total interest	<u>12,645</u>	<u>12,179</u>	<u>9,809</u>	<u>9,318</u>	<u>8,814</u>	<u>36,032</u>	<u>21,275</u>	<u>5,021</u>	<u>115,093</u>
Total principal and interest	<u>\$ 30,246</u>	<u>202,245</u>	<u>28,354</u>	<u>28,354</u>	<u>28,354</u>	<u>141,769</u>	<u>141,769</u>	<u>99,240</u>	<u>700,331</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Burrton contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4-6% percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute at December 31, 2011 is 7.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$18,373, \$15,734, and \$12,150 respectively, equal to the statutory required contributions for each year.

9. COMPENSATED ABSENCES

Full-time employees earn vacation based on the following schedule:

- After one year of employment - one week of vacation
- After two years of employment - two weeks of vacation
- After ten years of employment - three weeks of vacation
- After fifteen years of employment - four weeks of vacation

Unused vacation is paid to employees upon termination. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time employees earn approximately 12 days of paid sick leave in one year of service which can be accumulated to a maximum of 30 days. Unused sick leave is paid to employees upon termination at a ratio of one day per four days accrued sick leave. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

10. INTERFUND TRANSACTIONS

Operating transfers during the year ended December 31, 2011, were as follows:

<u>Transfer To</u>	<u>Transfer From</u>		<u>Total</u>
	<u>Water</u>	<u>Gas</u>	
General Fund	\$ -	25,000	25,000
Street Maintenance Fund	5,000	50,000	55,000
Equipment Reserve Fund	-	40,000	40,000
Capital Improvement Fund	-	5,000	5,000
	<u>\$ 5,000</u>	<u>120,000</u>	<u>125,000</u>

11. MANagements' DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through July 16, 2012, which is the date at which the financial statements were available to be issued.